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## Nonprofit's Retiring CEO May Net \$2M

By Colleen Heild

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The outgoing chief executive of a Santa Fe-based nonprofit health services provider was receiving about \$1 million a year in compensation and employee benefit plan contributions, documents show.

James Riebsomer, who retired as president and CEO of Presbyterian Medical Services in October, now stands to net at least \$2 million in retirement pay over the next eight to 10 years.

How and when he gets the money is complicated because Riebsomer owes the company \$2 million used to buy him a life insurance policy.

Over the past two decades, Riebsomer has become one of the highest paid CEOs of a New Mexico nonprofit.

PMS was incorporated in 1969. It is unrelated to Presbyterian Healthcare in Albuquerque, which owns and operates Presbyterian Hospital.

According to the organization's federal tax reports, Riebsomer earned more than \$1 million in compensation and employee benefit plan contributions in 2004 and in 2006. In 2005, the total was nearly \$900,000.

Riebsomer, who started his career at PMS as an ambulance driver, told the Journal his compensation was in the 88th percentile of CEOs of comparable nonprofits.

"There's no doubt that, at this stage in my life, after being with the company for 34 years, I'm paid at the upper end of that category," Riebsomer, 63, said in a phone interview.

His cash compensation went from \$426,456 in 1999 to \$721,498 in 2006 while his employee benefit plan contributions went from \$11,013 in 1999 to \$557,026 in 2006.

Steven Hansen, the organization's new president who plans to hire Riebsomer as a consultant, said PMS in recent years has been making up for not setting enough aside for Riebsomer in prior years.

Presbyterian Medical Services provides outpatient health, dental and behavioral services in 16 counties. It also operates children's services including Head Start and child care, runs a hospice and provides home care services and substance abuse counseling.

Although its focus is primarily on rural communities, the agency also provides a bus service in the Farmington area.

PMS reported more than \$56 million in revenue in 2006, with government grants and contracts making up a big chunk of that. It listed \$33 million in assets and 948 employees on its 2006 federal tax form.

Hansen said he looked into both the compensation and retirement issues for Riebsomer when he took over several weeks ago.

He said his main concern was, "Is there any impropriety in all this process, and after spending 90 percent of my time in the last two weeks on this, I don't see it."

Talks are ongoing about retirement money Riebsomer will receive—and a \$2 million loan he must repay to PMS.

"There were some expectations and so forth and we're trying to work through this keeping PMS in the forefront of our mind because the organization has to survive and is very valuable to the state," board chairman Byron Bartley said in an interview on Nov. 16. Bartley said at the time the issue might go to arbitration.

Last week, both sides seemed closer to a resolution and the prospect of arbitration had been de-emphasized.

"I'm not going to put PMS in any cash crunch. I'm open," Riebsomer said. "I'm not trying to get rich on this deal."

## \$2 million

In 1998, Hansen said, the PMS board started "preparing for Jim's retirement."

Riebsomer said that when he became CEO, "the company really didn't have any resources or anything, and the board told me ... down the road, if we have more resources, we'll help you with retirement, and I said, fine, that's fine, it's a not for profit."

Seeking to boost Riebsomer's retirement package, the board agreed in 1998 to loan Riebsomer \$2 million for a life insurance policy that was expected to grow to \$6 million cash value by now, Hansen said.

Upon retirement, the plan was for Riebsomer to repay PMS the \$2 million and keep the difference.

But the cash value is now about \$2 million—and Riebsomer still owes PMS that amount.

Hansen said the current plan is for PMS to pay Riebsomer "in the ballpark of \$4 million," with Riebsomer then repaying PMS the \$2 million for the life insurance loan and netting the remaining \$2 million.

"There's not a huge disagreement in the total amount" Hansen said, and there could be a few \$100,000 difference between the two sides.

Hansen said both sides are "trying to do the best for each other."

He added: "We could come up with the \$2 million to \$4 million (for the retirement pay) by selling property. But is that in the best interest of the company?" he said.

In addition to the \$2 million he is expected to net, Riebsomer also can collect the proceeds of a separate \$1 million life insurance policy the board took out in the 1990s.

"It was a 'golden handcuffs' ... if you will stay here for 10 years we will buy a million dollar life insurance policy and at the end of that 10 years we will turn over to you," Riebsomer said.

Riebsomer said, "I'll probably just cash it in for the cash value, so the cash value is about half that. It's not worth a million."

## Revised reports to IRS

PMS also plans to revise its annual reports to the IRS back to 2002 because of "overstatements and understatements" of the accrued benefits reported for contributions to Riebsomer's employee benefit plan, Hansen said.

He attributed some of the problems to different CPAs who estimated the benefits over the years in different ways.

Riebsomer said the revisions are needed to reflect the \$2 million retirement figure.

"There was a time that we thought that all these (elements of a retirement package) would have delivered more money, so from an accounting standpoint, the auditors needed to account for that," Riebsomer said. "Now that we've agreed on a much lesser figure, ... they're going to have to go back (to revise the amounts on the IRS forms)."

Meanwhile, Hansen said he needs Riebsomer's help in the transition and Riebsomer has agreed to work in a consulting capacity into next year.

His pay and title have yet to be determined.

'Excessive compensation'

The IRS in recent years has made an issue out of "excessive compensation" for CEOs of tax-exempt public charities.

Organizations must show there was an independent governing body making salary decisions, that the governing board relied on comparable data and that there was adequate documentation.

Fines can be levied for excessive compensation.

"If you read the IRS requirements for nonprofit boards, everything has to be transparent, in other words, everybody on the board knows everything," said Bartley, who became board chairman in May.

Riebsomer said people with long, proven track records are going to make more money.

He said the PMS board had compensation studies done over the past decade that showed his pay wasn't out of line.

"You have to realize it is also very difficult to find a similar organization to PMS. We are very unique, I mean (we're) the largest nonprofit in the state," Riebsomer said.

Hansen said PMS is paying him in the 40th percentile to 45th percentile.

Hansen most recently spent seven years as CEO of Nevada Health Centers Inc., based in Carson City and spent the prior five years as the company's chief operating officer.

Hansen said he was "uncomfortable" disclosing his exact salary, but added, "My package is totally different. There's a salary and potential bonus based on performance, and it's very clear."

Bartley said there wasn't much discussion on the board about Riebsomer's salary over the years, but said IRS guidelines were followed.

Now that he is chairman, Bartley said, "PMS is going to become a very transparent organization. We need to be more transparent."

#### By the numbers

Presbyterian Medical Services' compensation to former president and CEO James Riebsomer

1998 \$426,456

1999 \$370,592

2000 \$448,420

2001 \$413,542

2002 \$385,692

2003 \$419,460

2004 \$733,042

2005 \$561,463

2006 \$721,498

Presbyterian Medical Services' employee plan benefit contributions to Riebsomer

1998 \$11,013

1999 \$11,998

2000 \$9,374

2001 9,375

2002 \$16,876

2003 \$216,431

2004 \$465,955

2005 \$336,182

2006 \$557,026

-- Source: Annual reports submitted by PMS to the Internal Revenue Service